

# **PACE in Minnesota**

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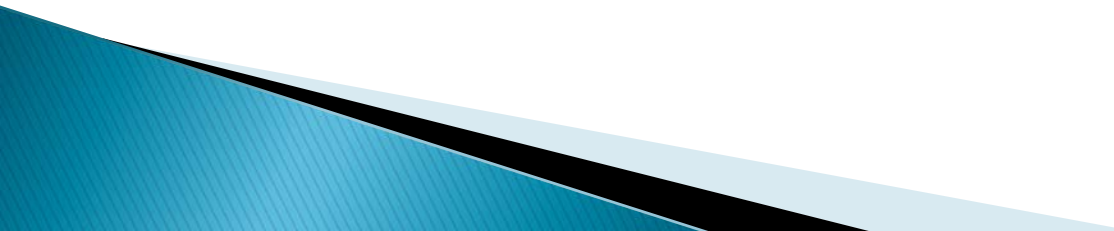
# **Laws of Minnesota 2010,**

## **Chapter 216 and Chapter 389**


### **(Minnesota Statutes, Sections 216C.435-216C.436)**

- ▶ Authorizes units of local government to issue revenue bonds backed by special assessments
  - City, County, Town, HRA, EDA, Port Authority
- ▶ Property Owner must petition for special assessment
- ▶ Available for commercial, industrial in addition to residential

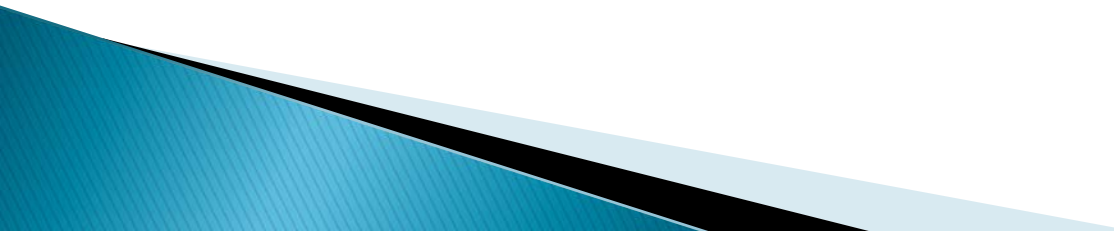
# Energy Improvement means:

- ▶ Any renovation or retrofitting of a building to improve energy efficiency that is permanently affixed to the property and that results in a net reduction in energy consumption without altering the principal source of energy;
  - ▶ Permanent installation of new or upgraded electrical circuits and related equipment to enable electrical vehicle charging; or
  - ▶ A renewable energy system attached to, installed within, or proximate to a building that generates electrical or thermal energy from a renewable energy source.
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# Program Requirements

- ▶ Not longer than useful life of the improvements with a maximum term of 20 years, assessed over 10 years
  - ▶ Lesser of 10% of assessed value or cost of improvements
  - ▶ Energy audit or feasibility study
  - ▶ Inspection of all improvements and performance verification of at least 10%
  - ▶ Demonstrated ability to repay (current on taxes and mortgage)
  - ▶ Interest rate sufficient to cover costs and delinquencies
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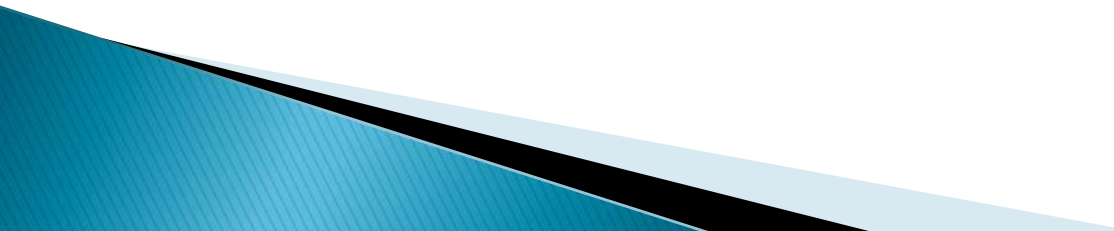
# **Additional Program Requirements— “Best Practices”**

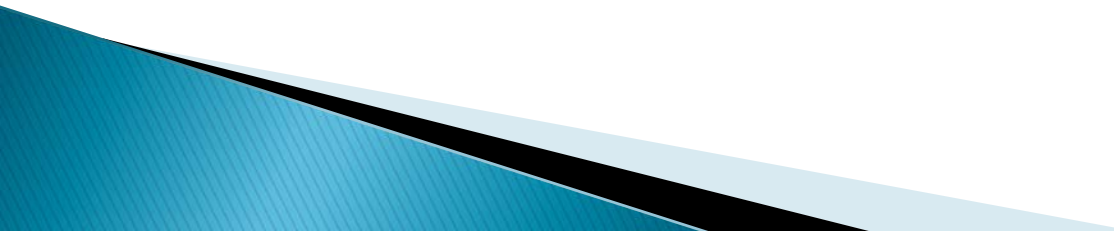
- ▶ Demonstrated cost effectiveness
  - ▶ Consent of first mortgage lender
  - ▶ Minimum and maximum improvement amounts
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# Structural Challenges

- ▶ Costs of the Program
  - Taxable rates
  - Non-origination risk (blind pool vs. pre-identify)
  - Negative arbitrage
  - Costs of issuance
  - Delinquencies

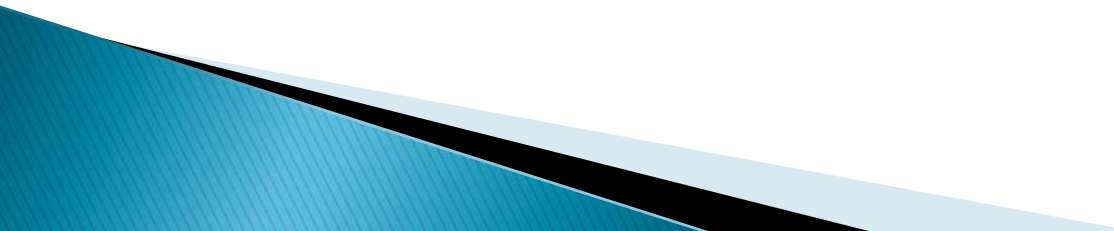
# Current Status

- ▶ Federal Housing Finance Agency (FHFA) directive to Fannie Mae, Freddie Mac and Federal Home Loan Banks—
    - Adjust loan-to-value ratios in PACE jurisdictions
    - Ensure that loan documents require consent for PACE loans
    - Tighten debt-to-income ratios
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- ▶ Office of the Comptroller of the Currency (OCC) to all National Banks “mitigate exposure and protect collateral positions” including for existing loans:
    - Procure loss guarantees from states or municipalities
    - Adjust home equity line of credit amounts
    - Secure additional collateral for commercial property
  - ▶ And for new loans:
    - Adjust loan to value ratios
    - Consider PACE payments in borrower’s financial capacity
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# Reaction

- ▶ California AG Jerry Brown sued Fannie, Freddie and FHFA
  - ▶ Boulder, Colorado, has suspended its PACE funding
  - ▶ [www.pacenow.org](http://www.pacenow.org) – legislation introduced in House
  - ▶ Congressional appeal to White House
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**STAY TUNED!**

# Contact Info

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